

## WHAT IS THE FUND'S OBJECTIVE?

The fund aims to maximise long-term growth from investing in the financial services industry. It seeks to outperform an index of financial companies listed on the Johannesburg Stock Exchange (the JSE Financial Index) over the longer term.

## WHAT DOES THE FUND INVEST IN?

The Financial Fund primarily invests in the shares of companies listed on the Johannesburg Stock Exchange but can also invest in international equities.

The fund will remain fully invested in listed companies that earn a significant portion of their earnings from financial services. These include banks, insurance companies and related businesses.

The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

## Risk Profile

Maximum growth/  
minimum income exposures

The fund's managers actively seek out attractively valued financial companies that could offer strong long-term investment growth.

Shares are selected following rigorous research into the long-term potential of a company, and whether it is currently attractively valued relative to its sector.

Shares can be volatile investments and there is a meaningful risk of capital loss over the short term. However, given its focus on investing only in attractively valued shares that could offer long-term growth, the fund may preserve capital better than its benchmark over the long run.

The fund is concentrated and only invests in one sector of the market, making it riskier than a general equity fund.

## HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The fund is managed to deliver the best possible returns over the long term; an investment horizon of five years or more is therefore ideal.

## WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- ▶ want to diversify their investments to include specific exposure to banks, insurers and related businesses;
- ▶ believe that the financial sector offers compelling value;
- ▶ accept that the fund may underperform the broader market significantly in the short term as a result of its sector focus;
- ▶ seek to hold the Financial Fund as one of multiple funds in their investment portfolio.

## WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (excl. VAT) is payable.

Fund expenses that are incurred in the fund include trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

We do not charge fees to access or withdraw from the fund.

More detail is available on [www.coronation.com](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**NEILL  
YOUNG**

BBusSc (Hons Fin), CA  
(SA), CFA



**GODWILL  
CHAHWAHWA**

BCompt, CA (SA)  
CFA

## GENERAL FUND INFORMATION

Launch Date	1 July 1998
Fund Class	A
Benchmark	FTSE/JSE Financials ex Real estate Index
ASISA Fund Category	South African – Equity – Financial
Income Distribution	Semi-annually (March & September)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORFING
ISIN Code	ZAE000019766
JSE Code	CNFG

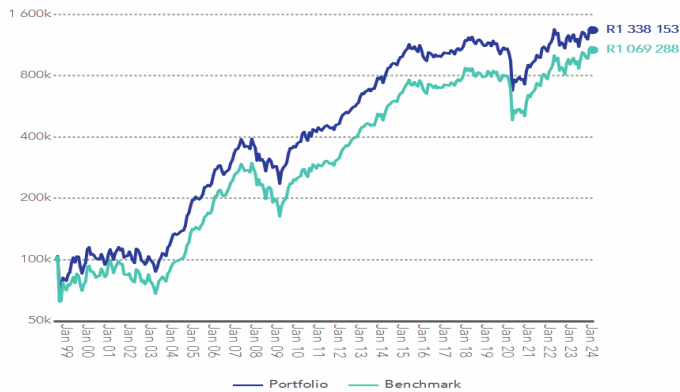
CLASS A as at 31 January 2024

ASISA Fund Category	South African - Equity - Financial
Launch date	01 July 1998
Fund size	R348.28 million
NAV	5879.37 cents
Benchmark	FTSE/JSE Financials (ex Real estate) Index
Portfolio manager/s	Neill Young and Godwill Chahwahwa

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.46%	1.47%
Fund expenses	1.23%	1.23%
VAT	0.05%	0.05%
Transaction costs (inc. VAT)	0.18%	0.19%
Total Investment Charge	0.21%	0.21%
	1.68%	1.68%

## PERFORMANCE AND RISK STATISTICS

## GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jan 2024
<b>Domestic Assets</b>	<b>99.3%</b>
Equities	98.5%
Financials	98.5%
Cash	0.8%
<b>International Assets</b>	<b>0.7%</b>
Equities	0.7%
Cash	0.0%

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1238.2%	969.3%	268.9%
Since Launch (annualised)	10.7%	9.7%	1.0%
Latest 20 years (annualised)	12.2%	12.8%	(0.5)%
Latest 15 years (annualised)	11.3%	12.5%	(1.1)%
Latest 10 years (annualised)	6.1%	8.3%	(2.1)%
Latest 5 years (annualised)	2.8%	4.9%	(2.0)%
Latest 3 years (annualised)	15.0%	19.5%	(4.5)%
Latest 1 year	7.6%	12.4%	(4.8)%
Year to date	(3.2)%	(3.2)%	0.0%

## TOP 10 HOLDINGS

As at 31 Dec 2023	% of Fund
FirstRand Limited	23.4%
Standard Bank Of SA Ltd	17.8%
Sanlam Life Assurance Limited	7.6%
Investec Limited	7.3%
Capitec Bank Holdings Ltd	7.0%
Nedbank Ltd	6.6%
Discovery Holdings Ltd	5.7%
Absa Bank Ltd	4.9%
Oursurance Group Ltd	3.7%
Reinet Investment Sca	2.8%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	19.9%	21.1%
Sharpe Ratio	0.12	0.06
Maximum Gain	53.6%	80.4%
Maximum Drawdown	(45.4)%	(45.3)%
Positive Months	59.0%	59.6%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Sep 2023	02 Oct 2023	180.39	179.14	1.24
31 Mar 2023	03 Apr 2023	82.22	81.36	0.86
30 Sep 2022	03 Oct 2022	142.43	141.71	0.73
31 Mar 2022	01 Apr 2022	46.25	45.84	0.41

	Fund	Date Range
Highest annual return	63.0%	Aug 2004 - Jul 2005
Lowest annual return	(39.5)%	Apr 2019 - Mar 2020

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	(3.2)%												(3.2)%
Fund 2023	5.6%	2.5%	(7.6)%	2.9%	(8.4)%	10.8%	6.7%	(1.2)%	(4.5)%	(2.5)%	9.2%	5.0%	17.3%
Fund 2022	2.7%	4.1%	11.4%	(5.8)%	1.9%	(13.2)%	3.6%	(2.0)%	(4.6)%	11.8%	3.5%	(6.6)%	3.9%
Fund 2021	(2.6)%	3.7%	2.5%	1.5%	6.5%	(2.7)%	(0.5)%	11.5%	1.8%	(2.4)%	(3.0)%	7.8%	25.5%
Fund 2020	(5.0)%	(8.6)%	(28.4)%	13.2%	(2.8)%	3.6%	2.3%	(3.2)%	1.0%	(5.8)%	16.1%	7.2%	(16.9)%

**Please note that the commentary is for the retail class of the Fund.**

### Performance

The Fund returned 11.7% for the quarter, relative to a benchmark return of 11.8% and bringing the year-to-date return for the Fund to 17.3%. Since its inception, the Fund has generated an annualised return of 10.8%, which is 1% ahead of the benchmark.

After rapid interest rate rises in the first few quarters of 2023, inflation in developed markets receded swiftly in the fourth quarter. Prospects of rate cuts in 2024 fuelled global markets in the final quarter of the year, with the MSCI All Country World Index up 11%, taking the return for the year to 22% in US dollars. Fears of a US recession were averted, with resilient labour markets and demand supported by strong household balance sheets. The high-profile bank casualties recorded in the first quarter of 2023 remained isolated cases, and a broader banking crisis has not emerged.

In the domestic market, the FTSE/JSE Capped Shareholder Weighted Index delivered 8% for the quarter and 8% for the year. Within that, financials fared the best for both the quarter (+12%) and the year (+21%), followed by industrials (+6% q/q and +17% y/y), with resources the laggard (+3% q/q and -12% y/y). The strong quarterly performance for the financial sector was driven by the banking sector, which delivered 13% relative to the life insurance sector at 10%. However, for the year, the life sector re-rated meaningfully off depressed valuations and outperformed the banks, delivering 39% relative to the 18% from the banks. The life sector benefited from an improvement in investment returns as well as a normalisation of mortality claims off the Covid highs. While the sector has weathered the Covid storm with strong balance sheets, it continues to face a challenging economic and competitive environment, resulting in limited growth prospects over the long term. The Fund is underweight the life sector as a result.

Contributors to the Fund's quarterly performance relative to the benchmark include an underweight position in Absa and overweight positions in Investec, FirstRand, Transaction Capital, and PSG Konsult. Detractors from relative returns include overweight positions in St James's Place, OUTsurance, Santam and Coronation Fund Managers, as well as an underweight in Capitec Bank.

### Fund positioning and actions

St James's Place is a wealth management business with an enviable long-term track record of delivering growth in what we see as an attractive UK wealth market. The share has come under significant pressure this year after they opted to simplify their fee structure in consultation with UK regulators. The changes adopted included unbundling fees into the components being advice, fund and product fees for greater transparency, removing initial product charges and adjusting their ongoing fees. We believe the franchise remains strong in the market and the underlying earnings power of the business has only marginally been impacted by the fee changes over the long term. The sharp fall in the share price, therefore, presents an attractive opportunity for the long-term investor.

During the quarter, we added to holdings in Standard Bank, Discovery, and Capitec Bank. These were funded from Ninety One, Nedbank and Investec. As banks lagged the life sector, we took the opportunity to add to our holdings selectively. Within the life sector, we added to Discovery

after it had lagged the life sector peers. Discovery has strong positions in the health administration market in SA, an area under potential threat if National Health Insurance (NHI) is implemented in a way that does not leave room for private medical schemes such as Discovery Health to meaningfully participate. The share price has come under some pressure, and news of the adoption of the NHI Bill in parliament probably only serves to limit investor appetite for the share. NHI, as currently envisaged, is unaffordable and likely to take significant time to implement. We believe that at the current valuation, Discovery's share price discounts many of these concerns and offers an attractive investment opportunity.

### Outlook

In a low growth, challenging SA economy, we believe only the strongest, well-managed businesses can take market share and grow. The weak will get weaker while the strong will get even stronger. These strong businesses still trade at relatively undemanding valuations, in our view, and continue to feature strongly in the portfolio.

### Portfolio managers

**Neill Young and Godwill Chahwahwa**

as at 31 December 2023

**IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION FINANCIAL FUND**

The Financial Fund should be considered a long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. The fund is mandated to invest into foreign securities and may as a result be exposed to macroeconomic, settlement, political, tax, reporting or illiquidity risk factors that may be different to similar investments in the South African markets. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Asset allocation and top 10 holdings are reflected on a look-through basis. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) Ltd (FSP 548), an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund ([www.sc.com/za](http://www.sc.com/za); 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

**HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?**

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

**HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?**

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

**WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?**

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio over the period referenced. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the underlying fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of the previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

**ADVICE AND PLATFORM COSTS**

Coronation does not provide financial advice. If you appoint an adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

**WHERE CAN I FIND ADDITIONAL INFORMATION?**

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, [www.coronation.com](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.